

***Internet Market Overview:  
Telecom and IT Trends Mexico 2004***

**International Market Insight  
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Authored by: Angeles Avila  
Approved by: Bryan D. Larson

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The Internet market is the fastest growing segment within Mexico's telecommunications sector. According to the consulting firm Select, the number of Internet users reached approximately 10 million in 2002 and is expected to reach 12.25 million by the end of 2003.

Internet penetration is limited by a low PC penetration rate and a lack of fixed-line capacity, which prevents potential customers from gaining access. The installed base of PCs in 2002 was estimated at 8.1 million, of which 54 percent represents PCs with Internet access. The drivers for the Internet growth include the interest in fixed broadband access, Internet/PC bundle packages offered by most service providers, the popularity of Internet cafes, and the initiatives of the government and carriers for increasing Internet adoption by residential, business, educational, and government users.

The potential number of Mexican Internet users is primarily limited by income distribution patterns, limited investment in IT by SMEs, Internet content in Spanish, and the high prices of fixed broadband connectivity. However, Wi-Fi solutions are being looked at as a solution for overcoming these limitations. There are currently Wi-Fi commercial systems in place in some restaurants, coffee shops, hotels and other commercial establishments, primarily in metropolitan and tourist areas. Techtel International and Intel have been very active in this regard. In addition, Telmex has installed 100 "hotspots" in Sanborns, a chain of retail/pharmacy stores with coffee shops, as well as in convention centers and airports.

According to Pyramid Research, the revenues generated by Internet services grew from US\$127 million in 1998 to US\$440 million in 2001 and will continue to grow at an average annual growth rate of 16 percent over the next five years. Currently, revenues from fixed narrowband access account for 62 percent of the market due to the large number of dial-up connections. However, it is estimated that broadband services will gradually gain market share and will generate approximately 50 percent of Internet services revenues in 2007.

Over the long-term, Internet use is expected to increase as the process of technology diffusion continues with computer/Internet access moving from larger companies to their

suppliers, from institutions of higher education down to secondary and primary schools, and from the Mexican federal government to local governments. Wireless Internet use may become more widespread in the future as a result of the serious infrastructure problems with the fixed-line Internet.

The relatively fast expansion of the Internet in Mexico, growing interest in e-commerce, and the increasing use of business applications are creating a need for hosting services with large storage capabilities. Companies that are capable of offering bundled packages for connectivity, hosting, and storage will eventually displace companies currently offering simple co-location and basic storage solutions for Web sites.

#### **DATA TABLE**

	<b>2001</b>	<b>2002</b>	<b>2003/e</b>
Internet services revenue (in US\$ millions)	535	710	919
<i>Source: Pyramid Research</i>			
<i>Source of Following: Select Mexico Data in millions</i>			
Internet Users	7.4	10.0	12.3
PC installed base	7.0	8.1	9.1
PCs with Internet access	3.7	4.4	5.3

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The U.S. Commercial Service, U.S. Embassy in Mexico encourages U.S. companies interested in market opportunities in Mexico to participate in the USA Pavilion and Product Literature Center at EXPO COMM MEXICO 2004, February 10 to 13. EXPO COMM MEXICO 2004, a U.S. Department of Commerce certified trade show and in its 13<sup>th</sup> year, is Mexico's leading telecom, IT, wireless, networking and Internet technologies exhibition and conference. For more information, contact Beth Harrington of E.J. Krause at [harrington@ejkrause.com](mailto:harrington@ejkrause.com) or 301-493-5500 x3312 or Angeles Avila of the U.S. Embassy in Mexico at [Angeles.Avila@mail.doc.gov](mailto:Angeles.Avila@mail.doc.gov) or 011-52-55-5140-2621. The U.S. Embassy and U.S. Department of Commerce thank the sponsors of the USA Pavilion, Intel and Nextel de Mexico.

#### **TELECOM & IT TRENDS MEXICO 2004**

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For more information on the Mexican IT and telecommunications market, please contact:

M. Angeles Avila Chiquini  
Trade Specialist  
U.S. EMBASSY, MEXICO  
U.S. Commercial Service  
Tel. 52-55/5140-2634  
Fax. 52-55/5535-1139  
e-mail: [angeles.avila@mail.doc.gov](mailto:angeles.avila@mail.doc.gov)

Steve Green  
International Trade Specialist  
International Trade Administration  
Office of Telecommunications Technology  
Tel: (202) 482-4202  
e-mail: [steve\\_green@ita.doc.gov](mailto:steve_green@ita.doc.gov)

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